



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

April 10, 2009

To: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

UPDATE ON MEETING WITH LOS ANGELES WORLD AIRPORTS REGARDING REGIONALIZATION OF AIR SERVICE

On February 24, 2009, this Office informed your Board that the County, along with the Petitioners of the Los Angeles International Airport Master Plan Settlement Agreement, requested a meeting with Los Angeles World Airports (LAWA) to discuss regionalization issues, as well as the development of a Regional Strategic Plan, as stipulated under the Settlement Agreement. The other Petitioners are the cities of El Segundo, Inglewood, and Culver City, and the Alliance for a Regional Solution to Airport Congestion. This memorandum is an update to that request.

On March 16, 2009, the County and the Petitioners met with LAWA Executive Director, Gina Marie Lindsey and her staff. Ms. Lindsey emphasized that LAWA continues to plan for and promote regionalization of air services. LAWA provided a report titled, "Airport Regionalization Update," which provides an overview of: 1) the current industry environment, 2) regionalization efforts at both Palmdale and Ontario Airports, and 3) their regionalization plan. Their regionalization plan includes establishing an Office of Regionalization, continuing air service development and airport marketing efforts, and supporting efforts to import ground transportation access. LAWA also provided the Petitioners with a report titled, "Regionalization: Why Air Service at LA/Palmdale Has Not Succeeded." Both reports are attached for your information.

At the request of the Petitioners, Ms. Lindsey committed to meeting on a periodic basis to keep the lines of communication open in discussing regionalization issues. Ms. Lindsey informed the Petitioners that a Regionalization Summit is planned for fall 2009 and will include stakeholders, as well as other jurisdictions to discuss issues and challenges related to regionalization.

"To Enrich Lives Through Effective And Caring Service"

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Each Supervisor
April 10, 2009
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This Office, along with County Counsel, will continue to meet with LAWA to address regionalization issues, and participate in the upcoming Regionalization Summit. We will keep your Board updated and apprised of major developments as appropriate.

Please let me know if you have any questions or your staff may contact Jerry Ramirez at 213.974.4282 or jramirez@ceo.lacounty.gov.

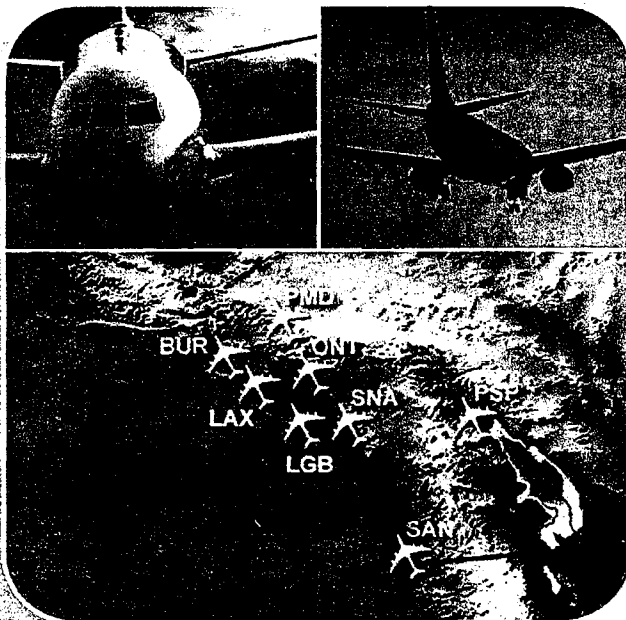
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Attachments

c: Executive Officer, Board of Supervisors
County Counsel



Los Angeles World Airports

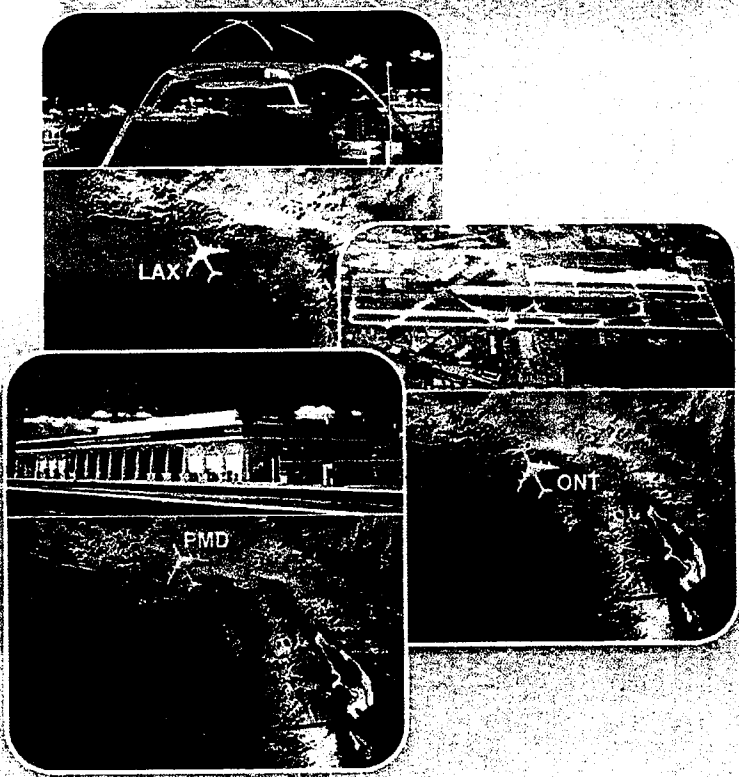


AIRPORT REGIONALIZATION UPDATE

Presented to:

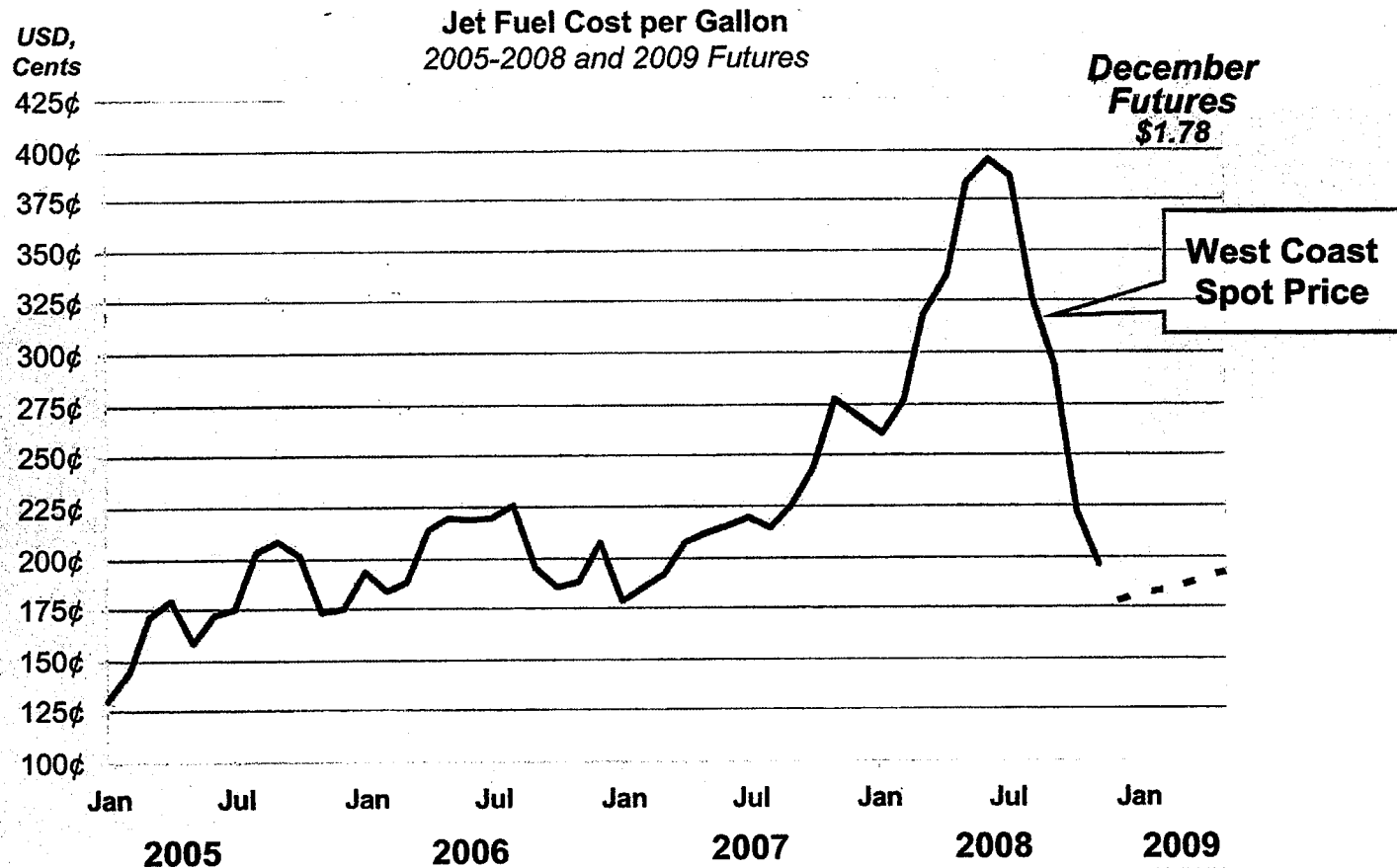
**Los Angeles City Council
Trade Commerce & Tourism Committee**

December 3, 2008



Current Industry Environment

Unprecedented Jet Fuel Prices Began to Moderate by the End of July...

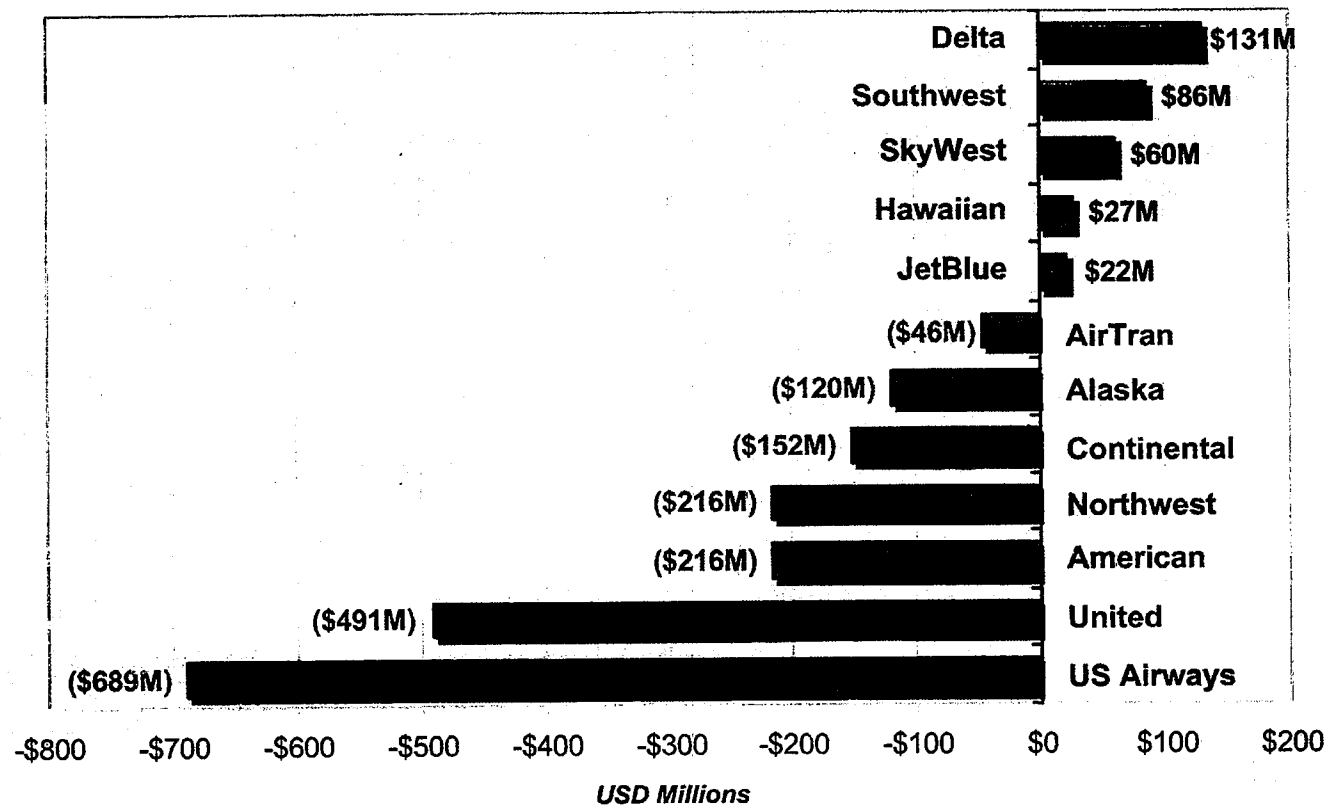


Los Angeles World Airports

Source: U.S. Energy Information Administration and New York Mercantile Exchange

... but Most U.S. Carriers Continued to Lose Money During the 3rd Quarter

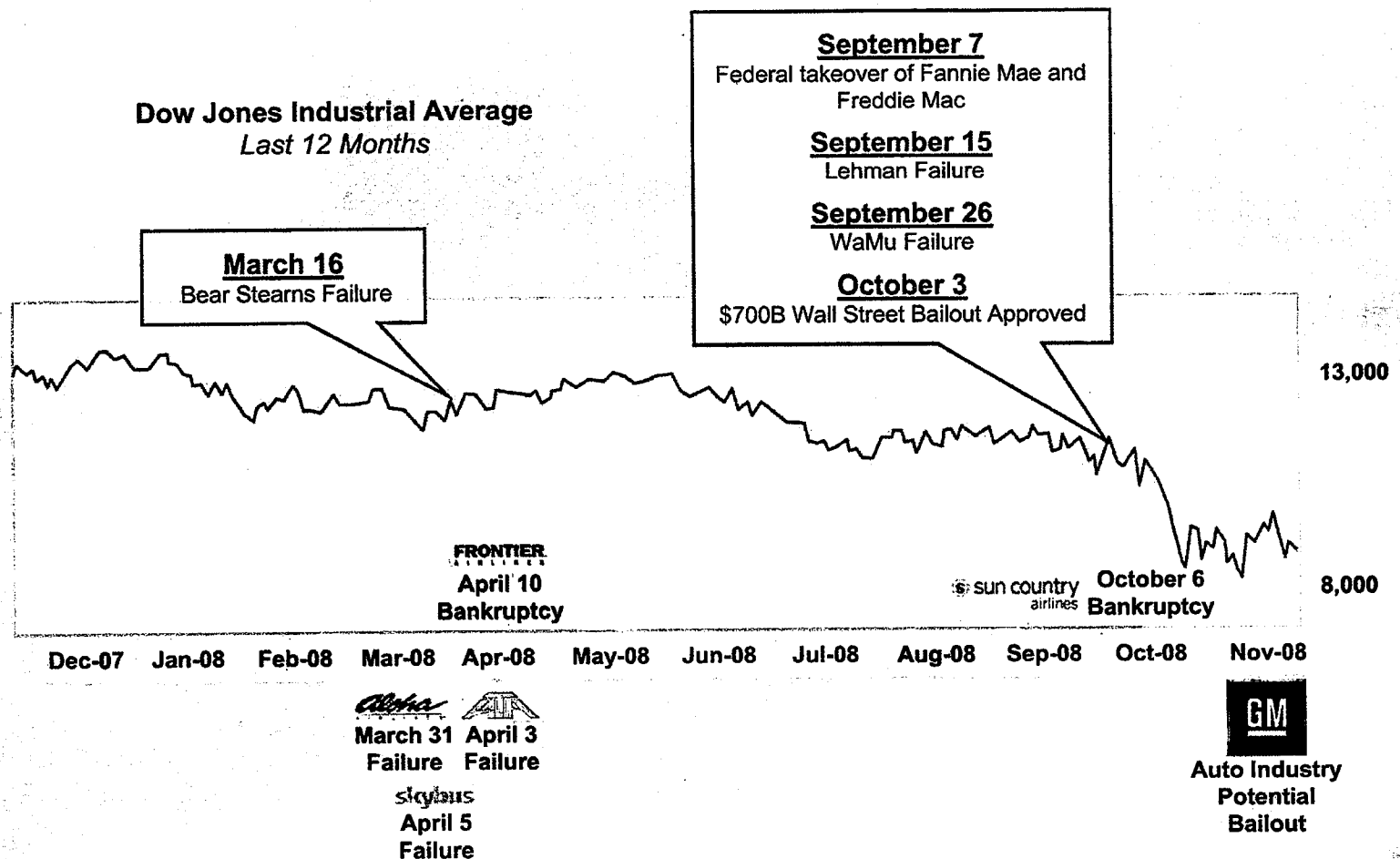
Airline Operating Profit/(Loss)
Third Quarter, 2008



Los Angeles World Airports

Source: Reflects operating income and costs, airline 3rd Quarter Reports Through November 8, 2008

What Jet Fuel Prices Have Given Back, the Global Economy Has Taken Away



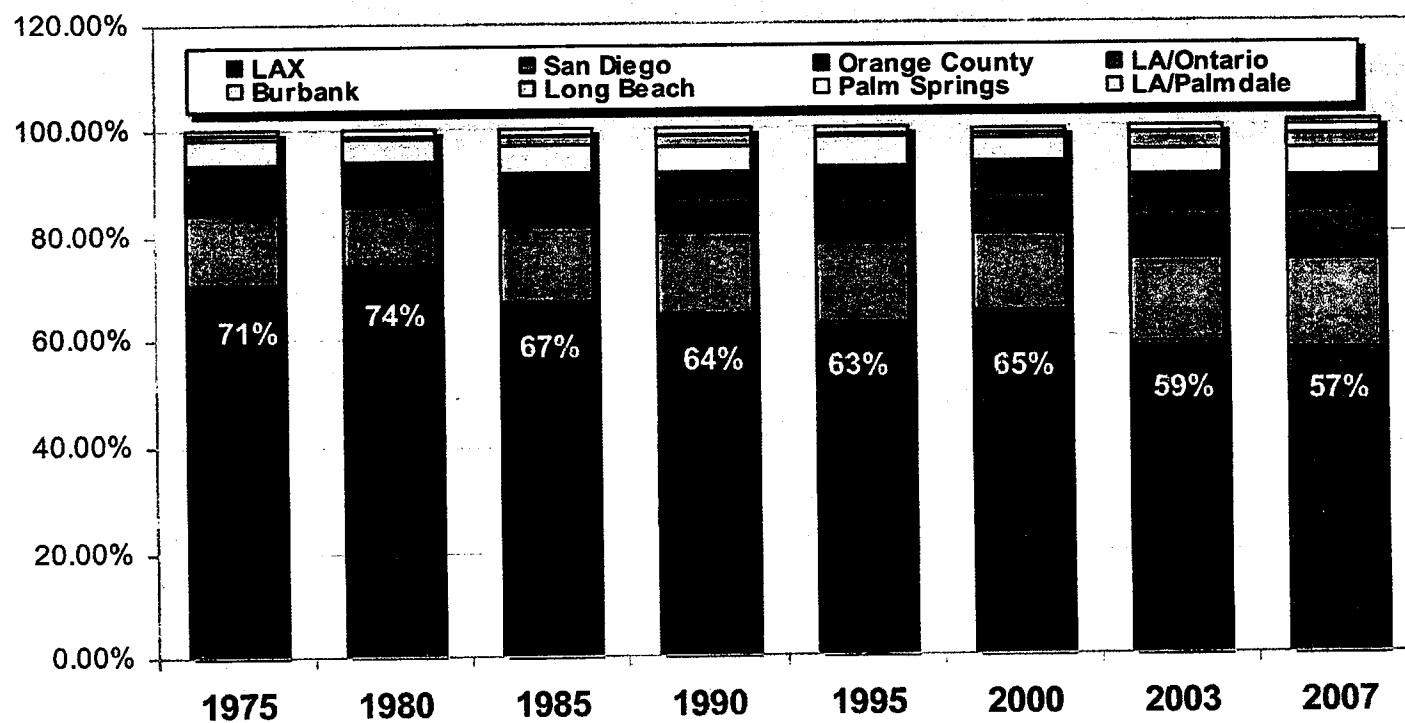
Los Angeles World Airports

Source: Dow Jones Industrial Average

Regionalization is Working

LAX Share of Regional Traffic Has Dropped from 71% to 57%

Southern California Passenger Traffic by Airport
Millions of Annual Total Passengers, 1975-2007

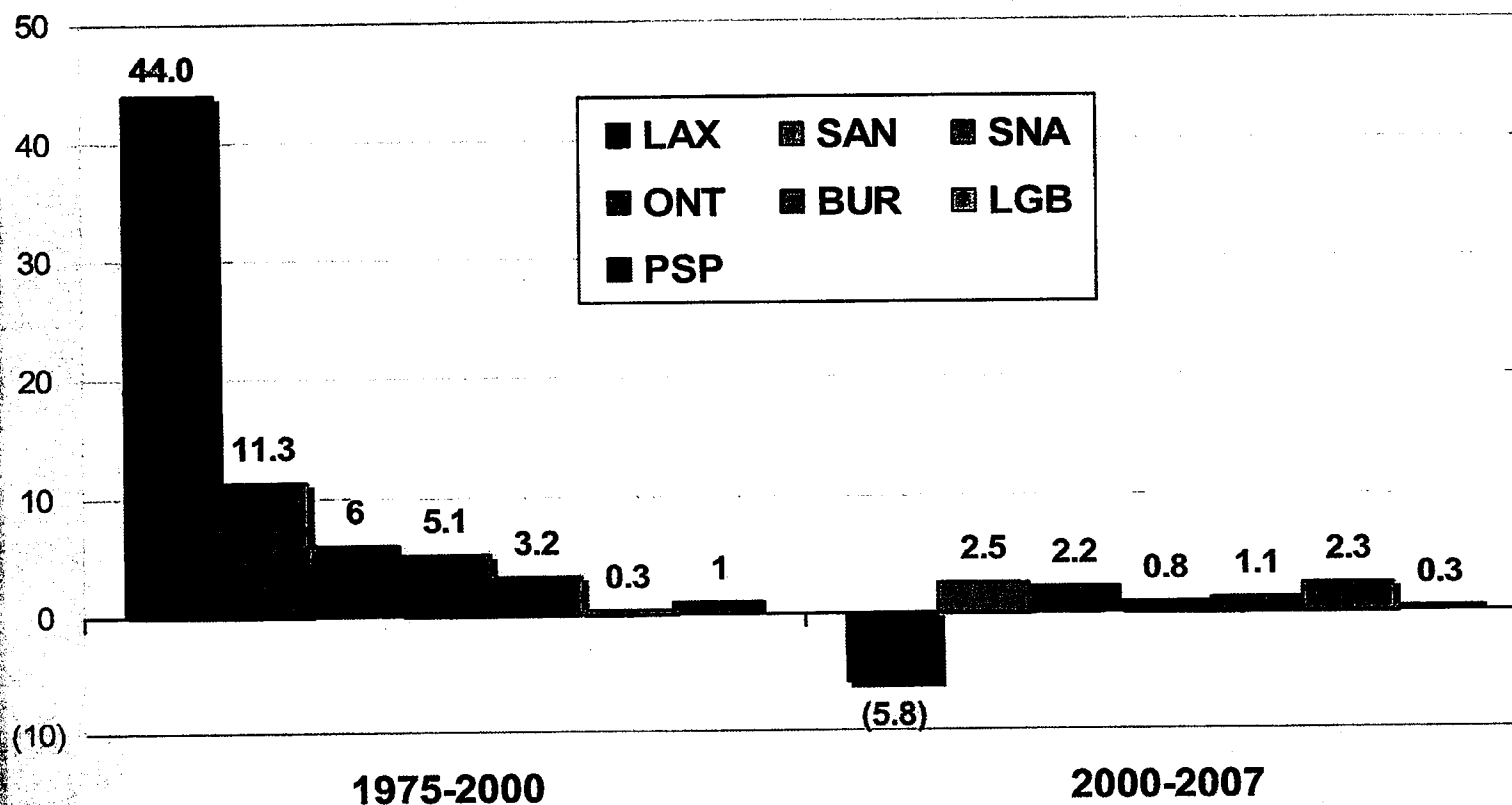


Los Angeles World Airports

Source: Airport records

In Fact, Since the Peak Year of 2000, Passenger Traffic Has Grown at Every Southern California Airport *Except* LAX

Passenger Traffic Growth at Southern California Airports
(in millions), 1975 – 2007

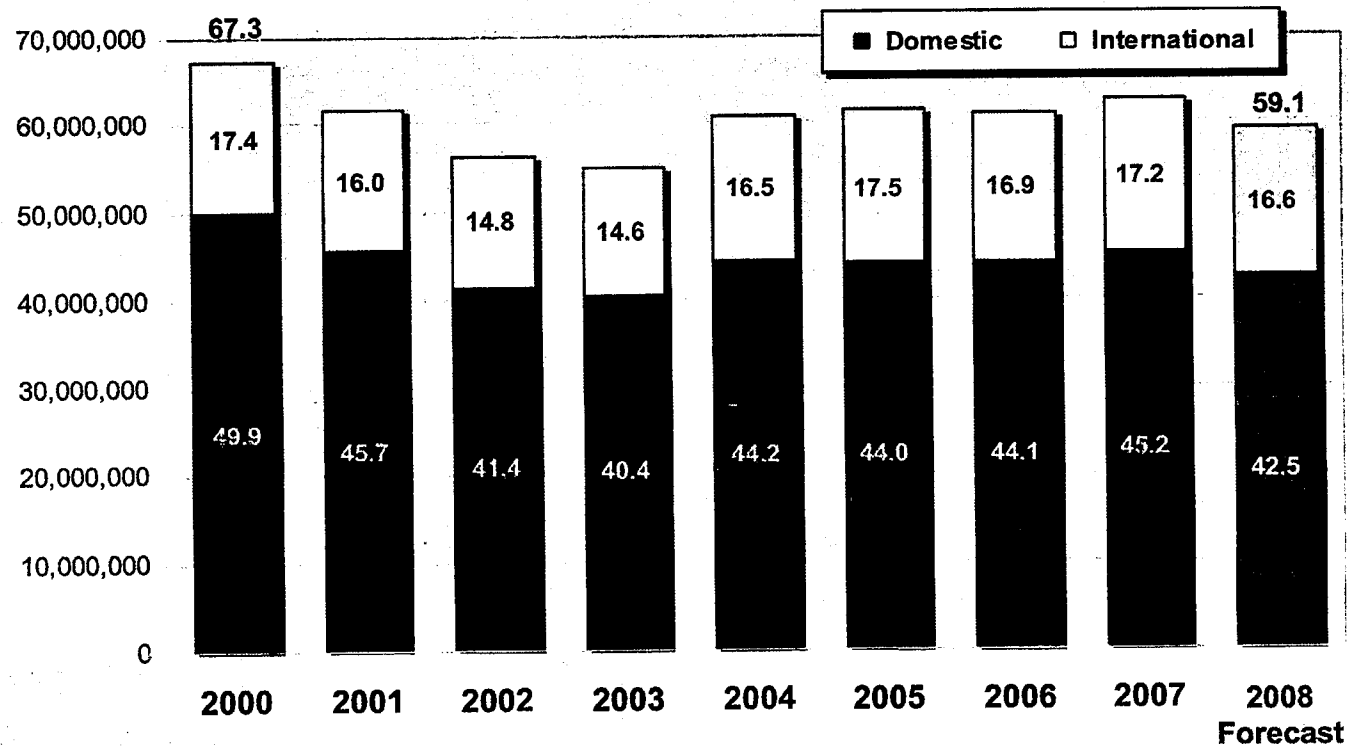


Los Angeles World Airports

Source: Airport records

LAX Will Lose Most of its Passenger Traffic Grown From the Past 4 Years by the End of 2008

LAX Total Airport Passengers
CY 2000 – CY 2008

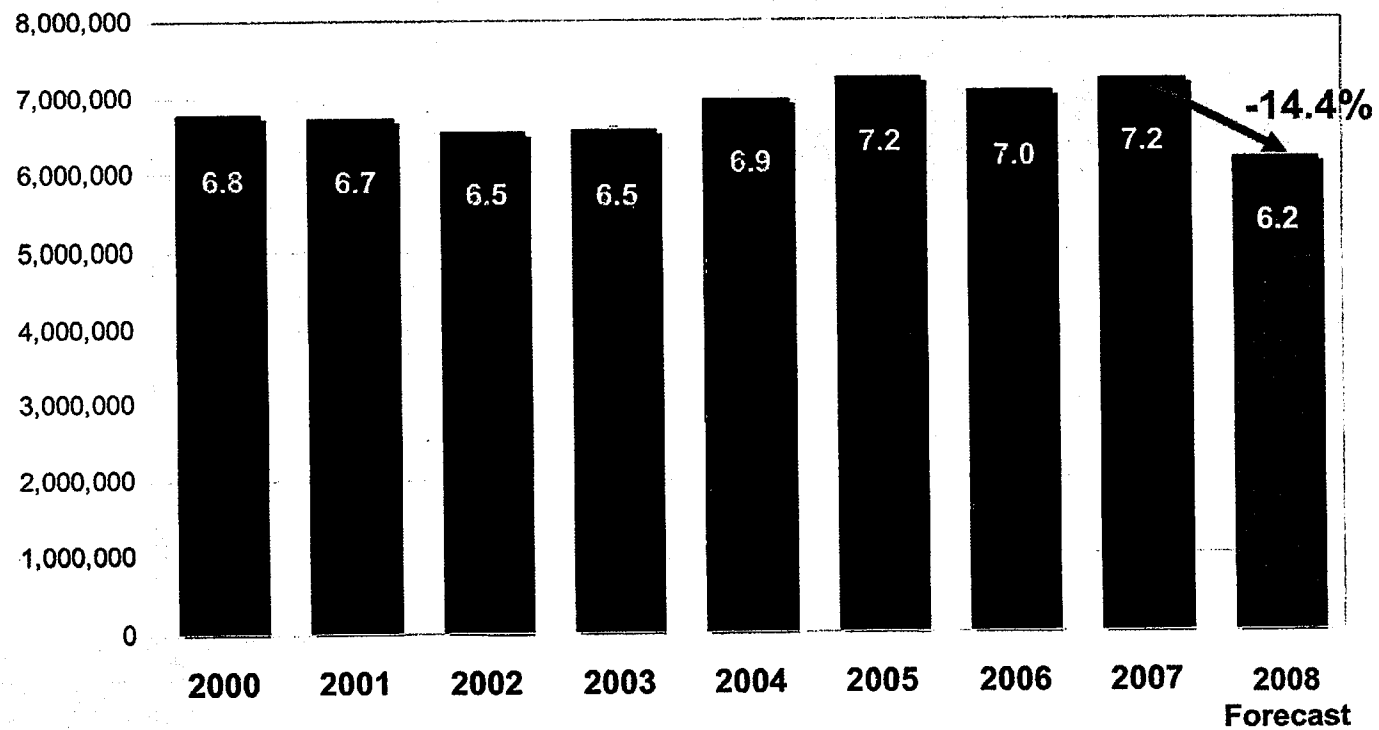


Los Angeles World Airports

Source: Airport Records

LA/Ontario Passenger Traffic Will End 2008 at its Lowest Level Since 1996

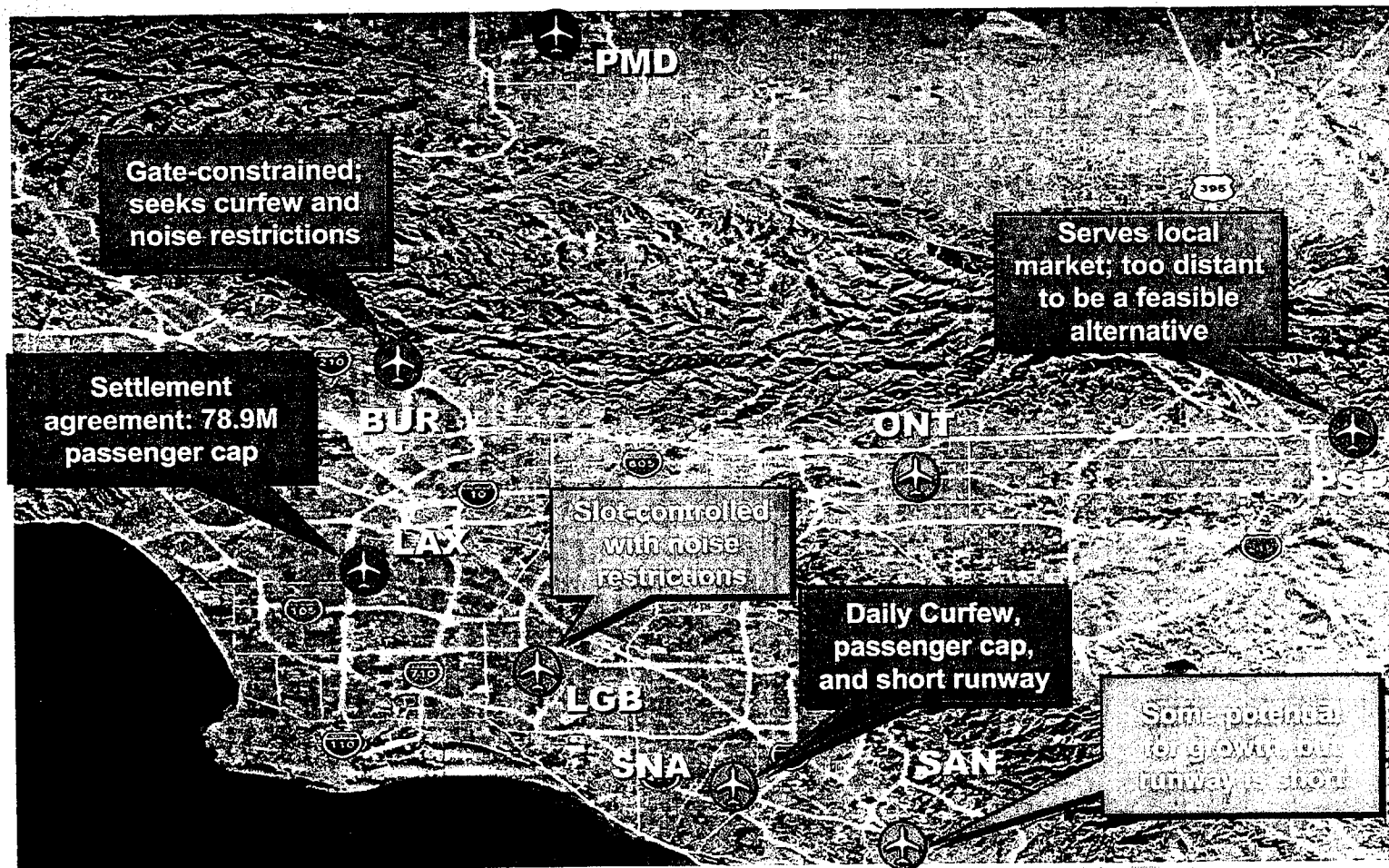
ONT Total Airport Passengers
CY 2000 – CY 2008



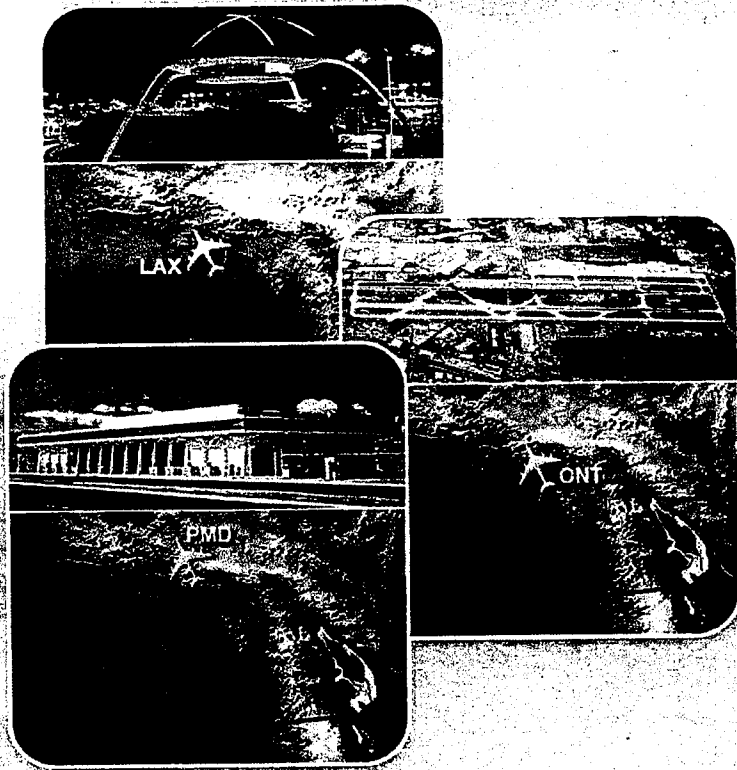
Los Angeles World Airports

Source: Airport Records

However, Every Southern California Airport (Other Than LA/Ontario) Faces Infrastructural or Political Growth Constraints



Los Angeles World Airports



Regionalization: What's Next?



LA/Palmdale Regional Airport



LAX

Los Angeles World Airports

LAWA Has Closely Coordinated its Air Service Development Efforts with the City of Palmdale During the Past Five Years

Event	Date
Turboprop service by America West and United (to Las Vegas, LAX, Phoenix and Palm Springs)	1990-1998
LAWA/City of Palmdale submit first SCASDP proposal to USDOT (<i>unsuccessful</i>)	May 2002
Meeting with America West in Phoenix	Spring 2003
Creation of the LAWA Air Service Development Division (<i>focused solely on PMD and ONT until July 2007</i>)	June 2003
Meeting with United Airlines in Chicago	October 2003
Meeting with American/American Eagle in Dallas	December 2003
Meeting with Horizon/Alaska Airlines in Dallas	January 2004
Meeting with SkyWest Airlines in St. George	February 2004
Meeting with Scenic Airlines in Las Vegas	February 2004



Los Angeles World Airports

Note: Blue font indicates direct participation of the City of Palmdale, or coordination of activity with the City of Palmdale by LAWA ASD Division

LAWA Has Closely Coordinated its Air Service Development Efforts with the City of Palmdale During the Past Five Years (cont'd)

Event	Date
Meeting with Delta Air Lines in Atlanta	February 2004
City of Palmdale/LAWA submit second SCASDP proposal to USDOT (unsuccessful)	May 2002
Attended Jumpstart 2004 Conference in Portland (met with DL, CO, UA, HP, AA and AS regarding PMD)	June 2004
Scenic Airlines service to North Las Vegas	December 2004 - 2005
Meeting with American Eagle in Dallas	January 2005
Attended Network 2005 Conference in Orlando (met with DL, CO, UA, and HP regarding PMD)	March 2005
Meeting with Delta Air Lines in Atlanta	July 2005
Attended Jumpstart 2005 Conference in Calgary (met with AA, AS, CO, UA and DL regarding PMD)	June 2005



Los Angeles World Airports

Note: Blue font indicates direct participation of the City of Palmdale, or coordination of activity with the City of Palmdale by LAWA ASD Division

LAWA Has Closely Coordinated its Air Service Development Efforts with the City of Palmdale During the Past Five Years (*cont'd*)

Event	Date
Meeting with Delta Air Lines in Atlanta	July 2005
Meeting with United Airlines in Chicago	September 2005
City of Palmdale/LAWA submit third SCASDP proposal to USDOT on behalf of Wheels Up Palmdale Coalition	April 2006
Meeting with US Airways in Phoenix	May 2006
USDOT awards \$900,000 SCASDP grant to the Wheels Up Palmdale Coalition (City of Palmdale/LAWA)	August 2006
Meeting with US Airways in Palmdale	September 2006
Meeting with Delta Air Lines in Atlanta	October 2006
Meeting with American Airlines in Dallas	October 2006
Meeting with United Airlines in Chicago	November 2006
Meeting with USDOT SCASDP staff in Washington, DC	December 2006



Los Angeles World Airports

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LAWA Has Closely Coordinated its Air Service Development Efforts with the City of Palmdale During the Past Five Years (cont'd)

Event	Date
LAWA & City of Palmdale panel selects United Airlines	December 2006
City of Palmdale and United Airlines negotiate revenue guarantee agreement	February 2007
LAWA launches advertising and marketing campaigns	April 2007
United Airlines launches service from LA/Palmdale	June 2007
First Wheels up Palmdale coalition meeting at PMD	November 2007
Meeting with UA's GAO airfare rep in Washington, DC	December 2007
LAWA & City of Palmdale meet with United in Chicago	January 2008
Second Wheels up Palmdale coalition meeting at PMD	February 2008
Third Wheels up Palmdale coaliton meeting at PMD (presentation of AMPG passenger survey results)	May 2008



Los Angeles World Airports

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LAWA Has Closely Coordinated its Air Service Development Efforts with the City of Palmdale During the Past Five Years (cont'd)

Event	Date
LAWA & City of Palmdale discussion of extension of revenue guarantee agreement with United	Summer 2008
Fourth Wheels up Palmdale coalition meeting at PMD	August 2008
United changes service at PMD from 2 daily regional jet roundtrip flights to 4 daily turboprop flights	September 2008
GSA government airfares for federal agency and military travelers made available to/from PMD for the first time	September 2008
Wheels up Palmdale coalition does not receive a second USDOT SCASDP federal grant	September 2008
United terminates PMD-San Francisco service	December 7, 2008



Los Angeles World Airports

Note: Blue font indicates direct participation of the City of Palmdale, or coordination of activity with the City of Palmdale by LAWA ASD Division

LAWA Invested Significant Resources to Support United's Air Service at LA/Palmdale

- LAWA prepared and submitted a proposal to the USDOT for a Small Community Air Service Program (SCASDP) grant on behalf of the City of Palmdale
- The City of Palmdale, on behalf of the Wheels up Palmdale coalition, was awarded one of the largest (\$900,000) grants awarded in the history of the SCASDP program
- The City of Palmdale provided one of the 4 members of the panel (the other 3 panelists were from LAWA) that selected United over Delta
- LAWA provided 80% of the coalition's financial and in-kind support of United air service from June 2007 – December 2008
 - LAWA
 - \$1.1 million in cash to purchase advertising from City of Palmdale (CA-14 electronic sign, utility bills, monthly newsletters, sponsorship of local events, etc.)
 - \$700,000 in cash to implement an advertising campaign to support the launch of United's service
 - \$5 million to operate the PMD terminal at deeply-reduced rental rates for United Airlines
 - City of Palmdale
 - \$1.1 million in cash to fund the revenue guarantee agreement with United Airlines
 - County of Los Angeles
 - \$50,000 in cash to fund the revenue guarantee agreement with United Airlines
 - \$500,000 to provide daily bus service from San Fernando Valley and Santa Clarita to PMD



Next Steps at LA/Palmdale

"Palmdale will now control its own destiny, and we will not be subservient to LAWA any longer. We're keeping an open mind about everything right now, but controlling our airport within our own jurisdiction is what's paramount here."

- Palmdale Mayor James Ledford, "LAWA Gives Palmdale Control of Airport," *Daily Breeze*, November 13, 2008

- **LAWA will participate in the process of transitioning operational responsibility for PMD terminal to the City of Palmdale after United discontinues service at the Airport on December 8, 2008**
- **The Air Service Development (ASD) Division will provide the City of Palmdale with all research and marketing materials that it has prepared since 2003**
- **The ASD Division will assist the City of Palmdale in its effort to market PMD to airlines**



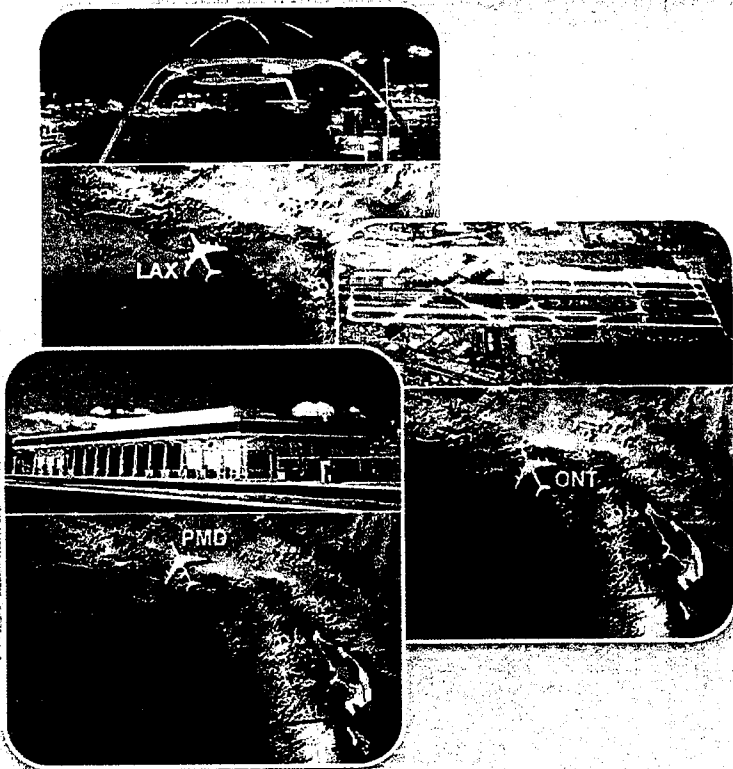
LA/Ontario International Airport



LAWA has Positioned LA/Ontario to be Southern California's Post-Recession Growth

- **LA/Ontario is located in California's fastest-growing region and is the most convenient airport for 7M of Southern California's 17M residents**
- **LAWA invested \$280M in infrastructure at ONT in 1998, building the region's most modern airport terminal facilities**
 - LAWA has partnered with Aeroterm to build up to 1M square feet of on-airport cargo facilities
- **During the last 5 years, LAWA's advertising and marketing support of new airline service at ONT has generated a positive return on investment**
- **LAWA's investment at LA/Ontario has positioned the airport to accommodate significant passenger and cargo traffic growth**
 - ONT can accommodate millions of additional passengers in its existing terminal facilities, providing significant short-term relief for LAX
 - In the long term, ONT has capacity for additional facilities that would allow the airport to accommodate up to 30M annual passengers and 2M annual tons of cargo





LAWA Regionalization Plan

Three Major Initiatives

**Establish an
Office of Regionalization**

**Continue
Air Service Development
and Airport Marketing Effort**

**Support Efforts to Import
Ground Transportation Access**



Los Angeles World Airports

Initiative #1: Establish an Office of Regionalization



Los Angeles World Airports

Executive Director

**Director of Air Service
Development**

**Long Range
Planning**

**Government
Affairs**

**External
Affairs**

**Office of
Regionalization**

Landside



Los Angeles World Airports

Initiative #2: Continue LAWA's Ongoing Air Service Development and Airport Marketing Efforts

■ LA/Ontario Air Service Development Goals

- Restore frequencies cut by Southwest during 2008
- Increase frequency of flights to hub markets with existing service
 - *Dallas, Houston, Atlanta, Denver, Salt Lake City*
- Re-establish lost hub service to hub markets
 - *New York/Newark, Chicago and Minneapolis*
- Restore service in former ExpressJet markets
 - *Reno, Tucson, Colorado Springs, Monterey, Fresno, Boise*
- Increase trans-border flights
 - *Mexico City, Vancouver, Puerto Vallarta, Cancún, Los Cabos*
- Assist Aeroterm in marketing its air cargo facilities



Initiative #2: Continue LAWA's Ongoing Air Service Development and Airport Marketing Efforts (*cont'd*)

■ LA/Ontario Airport Marketing Goals

- Sponsor and host an annual Regionalization Summit
- Continue ongoing corporate travel and travel agency outreach effort
- Continue joint LAWA-LA Inc. marketing effort with tour operators, charter airlines, and travel wholesalers in Mexico and Canada

■ LA/Palmdale Goals

- Facilitate transition of terminal operations to City of Palmdale
- Assist the City of Palmdale in its future airline outreach efforts
 - *Provide marketing presentations and analyses prepared for PMD during the past 5 years*
 - *Provide contact information and introductions to airline route development managers*



Initiative #3: Support Efforts to Develop Ground Transportation Access to Other Southern California Airports

- **Overall Goal: to minimize existing ground transportation barriers for both passengers and air cargo at Southern California's alternate airports**
 - LA/Ontario will be main focus
- **Identify viable locations for expansion of the FlyAway program to LA/Ontario**
 - Historical demand analysis within region, market research, etc.
- **Participate on the Gold Line Light Rail Technical Advisory Committee**
 - Goal is connectivity of Gold Line to LA/Ontario
- **Involvement in the California High Speed Rail Project**
 - Goal is connectivity to LA/Palmdale and LA/Ontario
- **Increase airport connectivity for both passengers and cargo on existing railroad lines at LA/Ontario**



United's San Francisco Service at LA/Palmdale Failed for Four Main Reasons

- **Geography**

- **Limited flight schedule**

- **Military and other federal government travelers were unable to book flights until October 2008**

- **Economic and Financial Challenges in the Airline Industry and the U.S. Economy**



LA/Palmdale Regional
Los Angeles World Airports





Geography



LA/Palmdale Regional
Los Angeles World Airports

LA/Palmdale Regional Airport is a More Distant Option Than are Other Local Airports for Residents Who do not Live in Lancaster or Palmdale

Driving Time to PMD

-  30 Minutes
-  45 Minutes
-  50 Minutes
-  60 Minutes



309,000 pop.

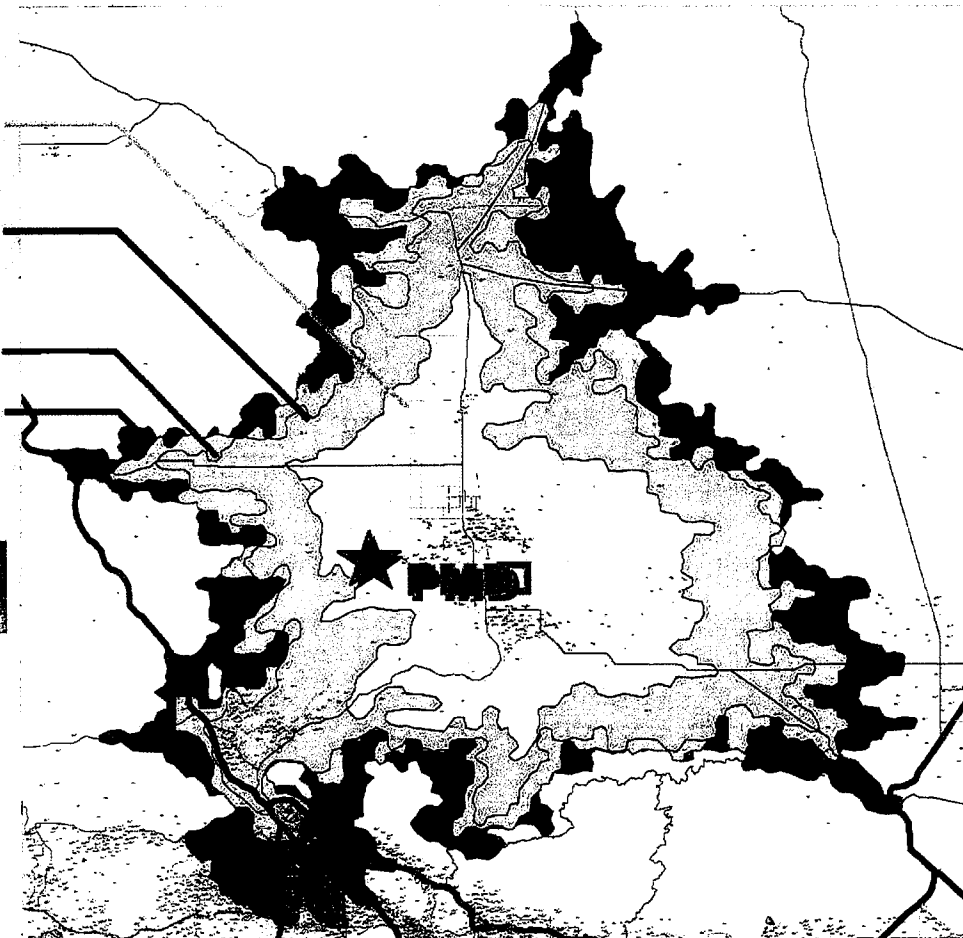
486,000 pop.

607,336 pop.

1.57M pop.
(Includes Santa Clarita)

Peak Period Drive Times from PMD

	Miles	Minutes
LAX	76 mi	94 mins
BUR	58 mi	74 min
ONT	77 mi	101 mins
Downtown LA	70 mi	87 mins



LA/Palmdale Regional
Los Angeles World Airports

Source: US Census 2000 and GIS

Limited Flight Schedule



LA/PalmdaleRegional
Los Angeles World Airports

Limited Flight Frequency Handicapped Traffic Development at PMD

■ Two daily roundtrips were not enough to attract business travellers, because flying from PMD required travellers to extend trips

- Single-day business trips were not possible beyond the West Coast and Mountain West regions
- Business trips east of the Mississippi River that typically required two days often necessitated a third when flying to/from PMD
- Connections to cities in the Southwest were typically not attractive, as travellers preferred not to “fly north to travel south”
- With numerous non-stop alternatives available at LAX, BUR, and ONT, few travellers opted for PMD

■ PROOF: In September 2009, United increased its schedule from 2 daily roundtrip RJ flights to 4 daily turboprop roundtrips, and *traffic increased by 25%*

LA/Palmdale's greatest challenge is providing enough air service to immediately compete with the region's other (very well-served) airports



LA/PalmdaleRegional
Los Angeles World Airports

Inability of Military and other Federal Government Travelers to Use United's LA/Palmdale Service

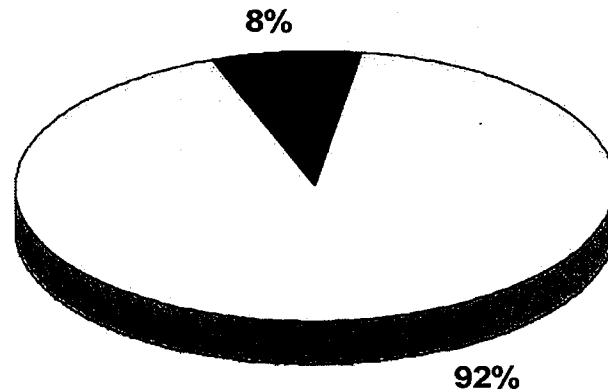


LA/Palmdale Regional
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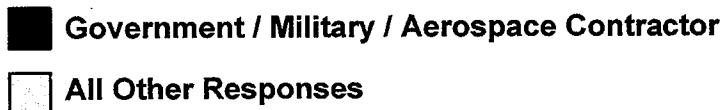
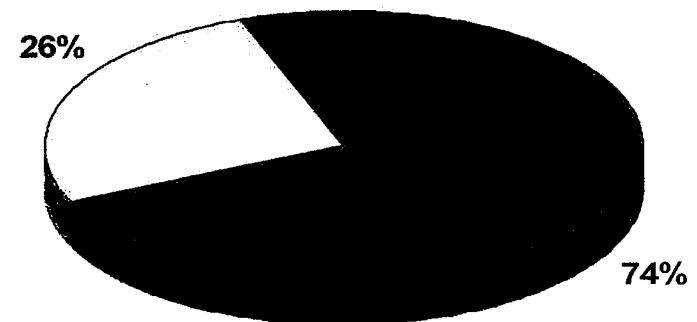
Without GSA Fares, United was Unable to Capture the Large Local Federal Government and Military Travel Market

What Industry Do You Work in?

PMD Airport
Passenger Survey



Palmdale Area Hotel
Air Passenger Survey /1



LA/Palmdale Regional
Los Angeles World Airports

/1 The hotel air passengers surveyed were primarily traveling for business purposes (90%) and mainly used other L.A. area airports (87%)

Source:

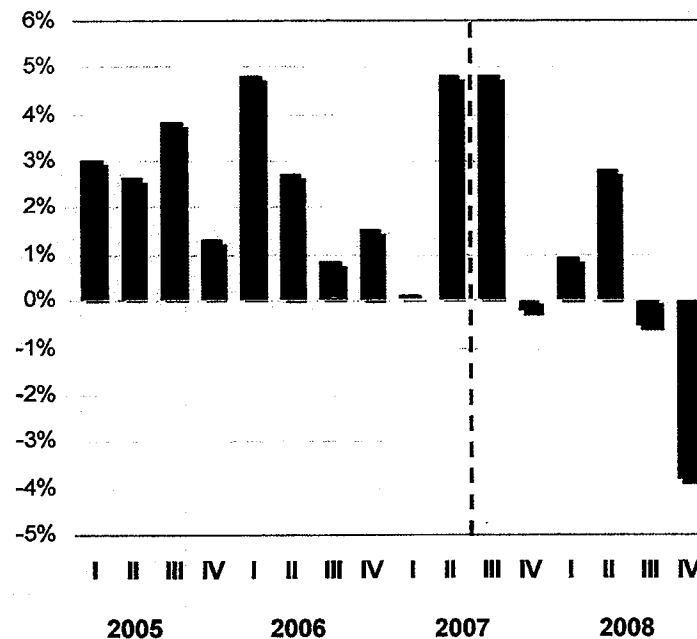
Economic and Financial Downturn in the U.S. Economy and the U.S. Airline Industry



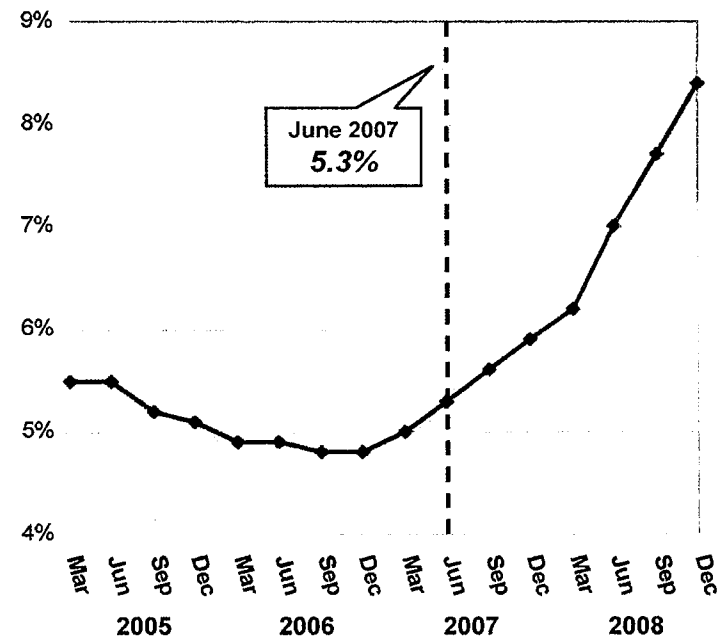
L.A. Palmdale Regional
Los Angeles World Airports

The U.S. and California Economies Deteriorated Substantially During the Period of PMD-SFO Air Service

U.S. Real GDP Growth Was Negative in 3 of 6 Quarters of PMD-SFO Service



California's Unemployment Rate Has Risen Steadily After Since 1st Qtr. 2007

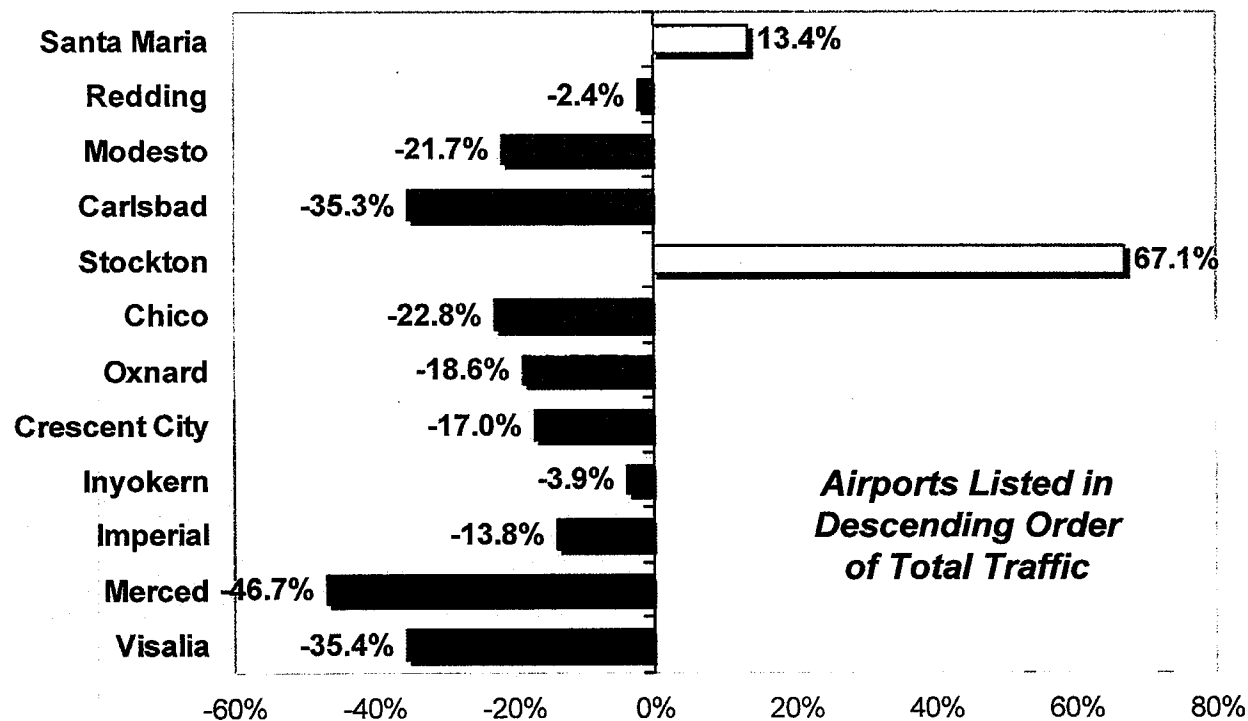


LA/Palmdale Regional
Los Angeles World Airports

Source: Bureau of Economic Analysis and California Employment Development Department

PMD's Struggles Were Not Atypical: 10 of the 12 California Airports Serving Markets Similar in Size Experienced Traffic Declines During YE June 2008

Percent Change in Domestic O&D Passengers at California's Small Community Airports
12 Months Ended June 2008 vs Prior Year



LA/Palmdale Regional
Los Angeles World Airports

Note: Includes California Airports with 150,000 or fewer passengers during YE 2nd Quarter 2008, excluding Palmdale.

Source: US DOT, O&D Passenger Survey

Findings

- **It is Critical that the Aerospace/Military Business Market Support New Service as It is an Important Generator of Air Travel in the PMD Market**
 - This market segment must have GSA contract fares in select key markets from PMD
- **A Minimum Daily Frequency is Also Key to Gaining Traveler Loyalty and Changing Behavior, Especially Given the Competing Services at Nearby Airports**
 - More than two daily roundtrips are required
- **Service to a Hub Carrier Airport or a Large Airport within LA/PMD's Top Passenger Markets Will Have the Greatest Chance of Success**
 - Network hub connections are needed to effectively serve the diverse travel market
- **LA/Palmdale's Air Travel Market May Develop Over a Longer Term Under the Right Conditions, But Given the Current Economic and Industry Outlook, Reinstatement of PMD Service is Unlikely in the Near Term**
 - LAWA's Resources Should Focus on LA/ONT



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Conclusions



LA/Palmdale eRegional
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Conclusions

- Under ideal demographic, economic, and airline industry conditions, LA/Palmdale Airport could be a viable regional airport for commercial airline service
- These ideal conditions necessary for the resumption of scheduled air service at PMD do not exist now, and will not for several years
- If the airline industry is permanently transformed when it emerges from the current economic downturn, ideal conditions for the resumption of air service at PMD might not arise for decades



LA/Palmdale Regional
Los Angeles World Airports